

**TOWNSHIP OF BUTMAN
GLADWIN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Butman Township	County Gladwin
Audit Date 6/30/04	Opinion Date 9/15/04	Date Accountant Report Submitted to State: 11/1/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

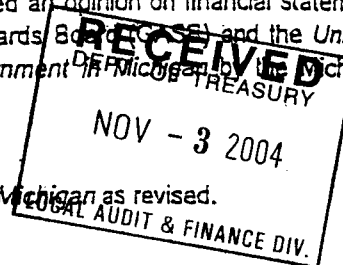
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller & Alexander LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature			



TOWNSHIP OFFICIALS

Supervisor

Bob Pearce

Clerk

Don Joyce

Treasurer

Linda Fornwall

Trustee

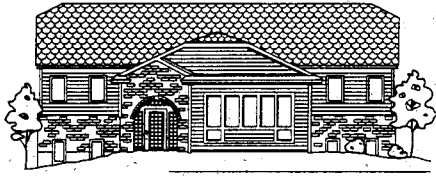
Linda Haight

Trustee

John Wolski

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION & ANALYSIS	3 - 6
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	7
STATEMENT OF ACTIVITIES	8
FUND FINANCIAL STATEMENTS	
<u>Governmental Funds</u>	
BALANCE SHEET	9
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS	10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	11
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	12
<u>Proprietary (Sewer) Fund</u>	
STATEMENT OF FUND NET ASSETS	13
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS	14
STATEMENT OF CASH FLOWS	15
<u>Fiduciary Fund</u>	
STATEMENT OF FIDUCIARY NET ASSETS	16
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	17
NOTES TO FINANCIAL STATEMENTS	18 - 30
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –	
GENERAL FUND	31 - 33
FIRE FUND	34
GARBAGE FUND	35
ROADS FUND	36



Keskine, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

September 15, 2004

To the Township Board
Butman Township
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Butman, as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Butman as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis on pages 3-6 and budgetary comparison information on pages 31-36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K. K. Cook Miller Smith & Alexander LLP
KESKINE, COOK, MILLER, SMITH & ALEXANDER, LLP



Butman Township

5005 N. Hockaday Road
Gladwin, Michigan 48624

Township Board Meetings
Held Monthly on the
Second Thursday, 7:00 p.m.

Telephone: 989-426-4351

• Clerk's Office: Extension 25

• Treasurer's Office: Extension 26

• Sewer Billing: Extension 27

Website: www.butmantownship.com

• Email: butman@ejourney.com

TOWNSHIP OF BUTMAN MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED JUNE 30, 2004

This section of Butman Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status improved over the last year. Assets at June 30, 2004 totaled approximately \$1,200,000 for governmental activities and \$1,270,000 for business-type activities. Of these totals, approximately \$880,000 and 1,000,000, respectively, represent capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$630,000 (\$42,000 from program revenues and \$588,000 from general revenues). The Township's major source of governmental revenues is derived from property taxes and state shared revenues. Overall expenses for the Township's governmental activities approximated \$596,000, with the majority being spent on garbage collection, fire protection, and administrative services.

Revenues derived from business-type activities totaled approximately \$495,000 (\$493,000 from user charges and \$2,000 from general revenues). Expenses approximated \$548,000.

The Township incurred no new debt instruments during the year and retired its sewer special assessment bonds fully. The Township purchased \$3,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Fire, Garbage and Roads Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets – governmental activities increased approximately \$36,000 during the year to total \$637,179. Net assets for business-type activities decreased (\$52,052) to total \$1,138,454.

Governmental Activities: The increase in net assets for governmental activities is due largely to an increase in property tax revenues and the taxable values of property within the Township.

Business Type Activities: The decrease in net assets for business-type activities can be attributed to the cost of providing sewer utility services.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund – This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

Garbage Fund – This fund is used to account for all financial transactions related to the Garbage Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of special assessment property taxes and contributions from the general fund.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Additions to Township assets for this year include land improvements to the Township's cemetery in the amount of \$3,000.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONTINUED)

Long Term Debt:

- ◆ Sewer special assessment bonds – the Township fully retired the bonds, principal payment of \$110,000.
- ◆ Sewer Loans and Leases – the Township retired \$110,487 in sewer upgrade and equipment loans and leases.
- ◆ Fire Fund Notes – the Township retired 38,000 in principal payments on three notes for fire vehicles, equipment, and building.
- ◆ Capital Leases – the Township retired 7,928 in principal payments related to its capital leases for administrative equipment.
- ◆ Total interest expense on the above notes amounted to \$43,085 during the year ended June 30, 2004.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

None.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Mr. Bob Pearce, Supervisor, at 5005 N. Hockaday Rd, Gladwin, MI 48624, or by calling (989) 426-4351.



Robert Pearce, Township Supervisor

**TOWNSHIP OF BUTMAN
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Cash	\$ 323,900	\$ 251,616	\$ 575,516
Receivables	-	15,088	15,088
Prepaid Expenses	1,862	-	1,862
Total Current Assets	325,762	266,704	592,466
Non-Current Assets:			
Capital Assets	1,239,385	7,692,203	8,931,588
Accumulated Depreciation	(358,070)	(6,692,272)	(7,050,342)
Total Non-Current Assets	881,315	999,931	1,881,246
Total Assets	1,207,077	1,266,635	2,473,712
LIABILITIES			
Current Liabilities:			
Accounts Payable	26,642	44,475	71,117
Accrued Liabilities	1,066	21,984	23,050
Current Portion of Long-Term Debt	47,096	61,722	108,818
Total Current Liabilities	74,804	128,181	202,985
Long-Term Liabilities:			
Notes Payable	486,000	-	486,000
Capital Leases Payable	9,094	-	9,094
Total Long-Term Liabilities	495,094	-	495,094
Total Liabilities	569,898	128,181	698,079
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	339,125	938,209	1,277,334
Net Assets, Restricted for:			
Fire Protection	5,822	-	5,822
Garbage Services	19,346	-	-
Roads	152,528	-	-
Sewer	-	200,245	200,245
Net Assets, Unrestricted	120,358	-	120,358
Total Net Assets	\$ 637,179	\$ 1,138,454	\$ 1,775,633

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

	PROGRAM REVENUES				NET REVENUE/(EXPENSE) & CHANGES IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRI- BUTIONS	CAPITAL GRANTS & CONTRI- BUTIONS	TOTAL GOVERN- MENTAL ACTIVITIES	TOTAL BUSINESS TYPE ACTIVITIES
GOVERNMENTAL ACTIVITIES						
Township Administration	\$ (158,136)	\$ 15,518	\$ 4,251	\$ -	\$ (138,367)	\$ -
Township Building and Grounds	(10,411)	2,810	-	-	(7,601)	-
Cemetery	(8,638)	6,925	-	-	(1,713)	-
Recreation and Culture	(1,237)	6,263	-	-	5,026	-
Fire Protection	(97,818)	-	-	-	(97,818)	-
Garbage Services	(245,924)	-	-	-	(245,924)	-
Road Repair and Maintenance	(40,177)	8,277	-	-	(31,900)	-
Interest on Long-Term Debt	(34,046)	-	-	-	(34,046)	-
Total Governmental Activities	(596,387)	39,793	4,251	-	(552,343)	-
BUSINESS-TYPE ACTIVITIES						
Sewer Utility Services	(538,515)	493,879	-	-	-	(44,636)
Interest on Long-Term Debt	(9,309)	-	-	-	-	(9,309)
Total Business-Type Activities	(547,824)	493,879	-	-	-	(53,945)
Total Government	(1,144,211)	533,672	4,251	-	(552,343)	(53,945)
GENERAL REVENUES						
Property Taxes, Levied for:						
General Operations					80,302	-
Fire Protection					101,374	-
Garbage Services					115,980	-
Roads					128,157	-
State Shared Revenue (not restricted to specific purpose)					131,304	-
Property Tax Administration Fee					25,773	-
Interest Earnings					2,158	1,893
Other					3,557	-
Total General Revenues					588,605	1,893
Change in Net Assets					36,262	(52,052)
Net Assets - Beginning of Year					600,917	1,190,506
Net Assets - End of Year					\$ 637,179	\$ 1,138,454

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	GENERAL	FIRE	GARBAGE	ROADS	TOTAL
ASSETS					
Cash	\$ 129,460	\$ 10,655	\$ 31,257	\$ 152,528	\$ 323,900
Prepaid Expenses	1,862	-	-	-	1,862
Total Assets	131,322	10,655	31,257	152,528	325,762
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	9,898	4,833	11,911	-	26,642
Accrued Liabilities	1,066	-	-	-	1,066
Total Liabilities	10,964	4,833	11,911	-	27,708
Fund Equity:					
Fund Balance - Undesignated, Unreserved	118,496	-	-	-	118,496
Reserved for:					
Fire Protection	-	5,822	-	-	5,822
Garbage Services	-	-	19,346	-	19,346
Roads	-	-	-	152,528	152,528
Prepaid Expense	1,862	-	-	-	1,862
Total Fund Equity	120,358	5,822	19,346	152,528	298,054
Total Liabilities and Fund Equity	\$ 131,322	\$ 10,655	\$ 31,257	\$ 152,528	\$ 325,762

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET)	\$ 298,054
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not recorded in the funds	881,315
Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds	(542,190)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS)	\$ 637,179

See accompanying notes to financial statements.

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	<u>GENERAL</u>	<u>FIRE</u>	<u>GARBAGE</u>	<u>ROADS</u>	<u>TOTAL</u>
REVENUES					
State Sources:					
State Shared Revenue	\$ 131,304	\$ -	\$ -	\$ -	\$ 131,304
Summer Tax Collection Reimbursement	4,251	-	-	-	4,251
Swamp Tax	565	-	-	-	565
Local Sources:					
Property Taxes	80,302	101,374	115,980	128,157	425,813
Property Tax Administration Fee	25,773	-	-	-	25,773
Other Fees	38,233	-	-	-	38,233
Township Hall Rental	2,810	-	-	-	2,810
Interest Income	1,304	142	188	524	2,158
Other Income	5,341	-	-	-	5,341
Total Revenues	289,883	101,516	116,168	128,681	636,248
EXPENDITURES					
General Government	162,844	-	-	-	162,844
Public Works	41,477	-	144,571	102,553	288,601
Public Safety	-	45,877	-	-	45,877
Recreation and Culture	1,699	-	-	-	1,699
Township Improvement	38	-	-	-	38
Debt Service	10,633	69,341	-	-	79,974
Total Expenditures	216,691	115,218	144,571	102,553	579,033
Excess (Deficiency) of Revenues over Expenditures	73,192	(13,702)	(28,403)	26,128	57,215
OTHER FINANCING SOURCES (USES)					
Operating Transfers In/(Out)	(70,000)	10,000	10,000	50,000	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	3,192	(3,702)	(18,403)	76,128	57,215
Fund Balance - Beginning of Year	117,166	9,524	37,749	76,400	240,839
Fund Balance - End of Year	\$ 120,358	\$ 5,822	\$ 19,346	\$ 152,528	\$ 298,054

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 57,215
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives	3,000
Depreciation expense, recorded in the Statement of Activities but not in the funds	(69,881)
Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances	45,928
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES - PER STATEMENT OF ACTIVITIES	\$ 36,262

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004**

ASSETS	<u>SEWER FUND</u>
Current Assets:	
Cash	\$ 251,616
Accounts Receivable	15,088
Total Current Assets	<hr/> 266,704
Non-Current Assets:	
Capital Assets	7,692,203
Accumulated Depreciation	(6,692,272)
Total Non Current Assets	<hr/> 999,931
Total Assets	<hr/> 1,266,635 <hr/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	44,475
Accrued Liabilities	21,984
Current Portion of Long-Term Debt	61,722
Total Current Liabilities	<hr/> 128,181 <hr/>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	938,209
Net Assets, Restricted for Sewer Utilities	200,245
Total Net Assets	<hr/> \$ 1,138,454 <hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	SEWER FUND
OPERATING REVENUES	
Permits	\$ 950
Service Charges	492,869
Miscellaneous	60
Total Operating Revenue	493,879
OPERATING EXPENSES	
Wages and Benefits	12,032
Contractual Services	292,806
Insurance	13,320
Utilities	4,723
Administration Fee	14,071
Postage, Printing and Publishing	3,950
Equipment, Supplies, and Maintenance	8,907
Refunds and Rebates	22,250
Depreciation Expense	147,304
Capital Outlay	17,308
Miscellaneous	1,844
Total Operating Expenses	538,515
Operating Loss	(44,636)
NON-OPERATING REVENUE	
Interest Income	1,893
NON-OPERATING EXPENSE	
Interest Expense	(9,309)
Non-Operating Loss	(7,416)
Net Loss	(52,052)
Net Assets - Beginning of Year, as restated	1,190,506
Net Assets - End of Year	\$ 1,138,454

See accompanying notes to financial statements

**TOWNSHIP OF BUTMAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004**

	SEWER FUND
<u>Cash flows from operating activities:</u>	
Cash received from customers	\$ 519,733
Cash payments to suppliers for goods and services	(370,398)
Cash payments to employees for services	(12,032)
Net cash provided by operating activities	137,303
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on long-term debt	(220,487)
Interest paid on long-term debt	(9,309)
Net cash used by capital and related financing activities	(229,796)
<u>Cash flows from investing activities:</u>	
Interest earnings	1,893
Net decrease in cash and cash equivalents	(90,600)
Cash and cash equivalents - Beginning of year	342,216
Cash and cash equivalents - End of year	\$ 251,616
<u>Reconciliation of operating income (loss) to net cash provided by operating activities:</u>	
Operating Loss	\$ (44,636)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	147,304
Decrease in Receivables	12,128
Increase in Accounts Payable and Accrued Liabilities	22,507
Net Cash Provided by Operating Activities	\$ 137,303

See accompanying notes to financial statements

**TOWNSHIP OF BUTMAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004**

	ASSETS	
Cash		\$ -
		<hr/>
	LIABILITIES	
Due to Other Governmental Units or Individuals		-
		<hr/>
	NET ASSETS	
Net Assets Held in Trust for Others		\$ -
		<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004**

ADDITIONS

Property Taxes, Interest, and Penalties collected for Butman Township	\$ 415,319
Property Taxes, Interest, and Penalties collected for Other Units of Government	4,502,517
Total Additions	<u>4,917,836</u>

DEDUCTIONS

Property Taxes, Interest, and Penalties remitted to Butman Township	415,319
Property Taxes, Interest, and Penalties remitted to Other Units of Government	4,502,517
Total Deductions	<u>4,917,836</u>

Change in Net Assets	<u>-</u>
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Net Assets Held in Trust for Others - Beginning of Year	<u>-</u>
--	----------

Net Assets Held in Trust for Others - End of Year	<u><u>-</u></u>
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See accompanying notes to financial statements.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE A: ENTITY

Butman Township, Gladwin County, Michigan, was organized prior to 1900 and covers an area of approximately 36 square miles. The Township operates under an elected five-member Board of Trustees and also provides service to its residents in areas including public safety, highways and streets, sanitation, fire protection, and human services.

The Township, for financial reporting purposes, management has considered all potential component units. The decision to conclude a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Butman Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities for the year.

The accounting policies of Butman Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On July 1, 2003, Butman Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not classified as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Fire Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Governmental Funds (Continued)

Garbage Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads Fund – This fund is used to account for all financial transactions related to the special assessment collections and general fund contributions used for road improvements within the Township.

Proprietary (Sewer) Fund

The Township reports the following major proprietary fund:

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Butman Township maintains a Sewer fund in this category.

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains a tax collection fund in this category.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting.

Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

PROPERTY TAXES

The Township bills and collects its own taxes and taxes for the County of Gladwin, Gladwin Public Schools, the Gladwin-Clare Intermediate School District and Mid-Michigan Community College. Property taxes are levied on December 1 and are payable through February 14. Amounts collected after the due date are assessed interest and/or penalty. Delinquent real property tax rolls are turned over to the County in mid-March. A county revolving fund normally pays the balance of the Township's real property tax levy by June 30. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The entire Township real property tax levied on December 1, 2003 is recognized as revenue for the year ended June 30, 2004.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY TAXES (CONTINUED)

The tax rates assessed for the year ending June 30, 2004 are as follows:

Township operating	0.7440 per \$1,000
Fire Protection	0.9888 per \$1,000

The taxable value of all properties on the certified roll was \$97,994,044. This is the valuation upon which the levy for the 2003 tax year was based.

The collection of property tax and remittance to the proper authority is accounted for in the Current Tax Collections Fund.

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The proprietary fund financial statements report using the full accrual method of accounting.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Land and construction in progress are not depreciated.

The following ranges are proposed as guidelines in estimating useful lives for asset reporting:

Building and improvements	30 years
Land improvements	10 years
Machinery & equipment	10 years
Vehicles	10 years
Utility Plant and components	7 – 30 years
Furniture and office equipment	7 years

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

DEPOSITS AND INVESTMENTS

The Township's cash and cash equivalents are considered cash if they are easily converted to cash or have a maturity date of 90 days or less.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township's investments are in accordance with statutory authority.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The process of preparing general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BUDGETS AND BUDGETARY POLICIES

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Chief Administrative Officer submits a proposed budget to the Township Board at the April Board meeting for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in Fund balance – budget and actual – general, special revenue and capital projects funds.
2. A public hearing is conducted in May to obtain citizens' comments.
3. Prior to July 1, the budget is legally adopted by Township Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances – budget and actual (GAAP basis) – general, special revenue and capital projects funds.
4. Formal budgetary integration is employed as a management control device during the year for the general fund.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE C: CASH AND CASH EQUIVALENTS

The Township maintains a cash pool that is available for use by all funds except the Current Tax Collections Fund. Each fund's portion of this pool is displayed on the combined balance sheet as "cash" under each fund's column.

At June 30, 2004, the book value of the Township's deposits and other cash equivalents was \$575,516 with a corresponding bank balance of \$501,908 of which \$100,000 was covered by Federal depository insurance. The Township's deposits shown below give an indication of the level of risk, assumed by the Township at year-end.

The Township places its deposits with a high quality financial institution. Although such deposits exceed federally insured limits, they are, in the opinion of the Township, subject to minimal risk.

Deposits are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust Department or agent in the entity's name.
3. Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Cash on Hand	\$ -	\$ -	\$ -	\$ -	\$ 450
Cash Deposits	<u>501,908</u>	<u>100,000</u>	<u>-</u>	<u>401,908</u>	<u>575,066</u>
Total Cash	<u>\$ 501,908</u>	<u>\$100,000</u>	<u>\$ -</u>	<u>\$401,908</u>	<u>\$ 575,516</u>

In addition, over the course of the year, the Current Tax Fund held deposits with a carrying value up to approximately \$ 1,000,000 for short periods of time. These balances may or may not have been insured, depending on total township account balances at a given time.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE D: SPECIAL ASSESSMENTS

Various special assessment districts have been created within the Township in order to fund the following projects: sewer extensions, road improvements and lighting projects.

The sewer extension project took place in 1996. The Township sold bonds in the amount of \$950,000 and the debt service requirements have been satisfied by a special assessment levy included on the tax roll, through the 2003 tax year. Due to lower project costs than anticipated, the Township will be able to service the debt fully with the special assessment funds received through the 2002 tax levy. Consequently, the Township will not collect sewer special assessment monies on the 2003 tax roll. The special assessment receivable had been eliminated and expensed as a special assessment abatement for the year ended June 30, 2003. The debt related to the sewer special assessment was fully retired during the fiscal year.

The cost of the road improvement project is assessed annually in conjunction with the County Road Commission. Based on the roads targeted for improvement, the cost to fund the project varies each year. Therefore, a receivable cannot be accurately calculated and is not recorded in these financial statements. The related revenue is recorded each year at the time the annual cost is calculated. The road special assessment dollars collected during the year ended June 30, 2004 totaled \$128,157.

The Township collected \$228 during the year ended June 30, 2004 for lighting special assessment projects.

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>				
	<u>Land</u>	<u>Buildings & Grounds</u>	<u>Vehicles</u>	<u>Machinery Equipment</u>	<u>Data Handling Equip</u>	<u>Totals</u>
<i>Governmental Activities</i>						
Balance, July 1, 2003	\$ 223,898	\$ 404,000	\$ 284,500	\$ 249,364	\$ 74,623	\$ 1,236,385
Increases	-	3,000	-	-	-	3,000
Decreases	-	-	-	-	-	-
Balance, June 30, 2004	<u>223,898</u>	<u>407,000</u>	<u>284,500</u>	<u>249,364</u>	<u>74,623</u>	<u>1,239,385</u>
<i>Accumulated Depreciation</i>						
Balance, July 1, 2003	-	124,182	65,861	61,269	36,877	288,189
Increases	-	23,589	19,567	16,550	10,175	69,881
Decreases	-	-	-	-	-	-
Balance, June 30, 2004	<u>-</u>	<u>147,771</u>	<u>85,428</u>	<u>77,819</u>	<u>47,052</u>	<u>358,070</u>
<i>Governmental Activities</i>						
Capital Assets, Net	<u>\$ 223,898</u>	<u>\$ 259,229</u>	<u>\$ 199,072</u>	<u>\$ 171,545</u>	<u>\$ 27,571</u>	<u>\$ 881,315</u>

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE E: CAPITAL ASSETS (CONTINUED)

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>				
	<u>Land</u>	<u>Buildings & Grounds</u>	<u>Vehicles</u>	<u>Machinery Equipment</u>	<u>Data Handling Equip</u>	<u>Totals</u>
Business-Type Activities						
Balance, July 1, 2003	\$ 229,428	\$ 237,554	\$ 271,059	\$ 6,954,162	\$ -	\$ 7,692,203
Increases	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
Balance, June 30, 2004	<u>229,428</u>	<u>237,554</u>	<u>271,059</u>	<u>6,954,162</u>	<u>-</u>	<u>7,692,203</u>
Accumulated Depreciation						
Balance, July 1, 2003	\$ -	\$ 102,406	\$ 209,528	\$ 6,233,034	\$ -	\$ 6,544,968
Increases	-	7,848	28,656	110,800	-	147,304
Decreases	-	-	-	-	-	-
Balance, June 30, 2004	<u>-</u>	<u>110,254</u>	<u>238,184</u>	<u>6,343,834</u>	<u>-</u>	<u>\$ 6,692,272</u>
Business-Type Activities						
Capital Assets, Net	<u>\$ 229,428</u>	<u>\$ 127,300</u>	<u>\$ 32,875</u>	<u>\$ 610,328</u>	<u>\$ -</u>	<u>\$ 999,931</u>
Capital Assets, Net	<u>\$ 453,326</u>	<u>\$ 386,529</u>	<u>\$ 231,947</u>	<u>\$ 781,873</u>	<u>\$ 27,571</u>	<u>\$ 1,881,246</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities		Business-Type Activities	
Township Administration	\$ 10,176	Sewer Utilities	<u>\$ 147,304</u>
Fire Protection	52,541		
Township Hall & Grounds	<u>7,164</u>		
Total	<u>\$ 69,881</u>		

NOTE I: LONG-TERM DEBT

GOVERNMENTAL ACTIVITIES

The Township has entered into various capital leases for office equipment, including a copier, phone system, postal machine and accounting software. Lease payments are due in monthly installments ranging from \$189-376, interest at 4.0-7.0%. Each lease has a bargain purchase option at lease expiration.

During the 1999-2000 year, the Township borrowed \$221,615 to construct a building for the fire department payable in annual installments ranging from \$22,166 to \$24,717 through May 1, 2014; interest at 5.55%. The loan is secured by the assets purchased.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE I: LONG-TERM DEBT (CONTINUED)

GOVERNMENTAL ACTIVITIES (CONTINUED)

During the 1999-2000 year, the Township borrowed \$143,473 for fire department equipment payable in annual installments ranging from \$15,939 to \$16,258 through May 1, 2014; interest at 5.55%. The loan is secured by the assets purchased.

During the 1999-2000 year, the Township borrowed \$280,000 for fire department vehicles payable in annual installments ranging from \$29,554 to \$30,655 through May 1, 2014; interest at 5.55%. The loan is secured by the assets purchased.

BUSINESS-TYPE ACTIVITIES

Special assessment bonds payable, Sewer Improvement loan payable, and a Capital Lease for a tractor are recorded in the Sewer Fund.

CHANGES IN LONG-TERM DEBT

	Balance July 1, 2003	Additions	Payments	Balance June 30, 2004
Governmental Activities				
Capital Leases	\$ 23,118	\$ -	\$ 7,928	\$ 15,190
Equipment Note	124,000	-	8,000	116,000
Vehicles Note	245,000	-	17,000	228,000
Building Note	196,000	-	13,000	183,000
Total Gov. Act.	<u>\$ 588,118</u>	<u>\$ -</u>	<u>\$ 45,928</u>	<u>\$ 542,190</u>
Business-type Activities				
1995 Special Asses.				
Bonds	\$ 110,000	\$ -	\$ 110,000	\$ -
Loan payable – Sewer				
System Upgrade	150,868	-	100,095	50,773
Tractor Capital Lease	21,340	-	10,391	10,949
Total Bus. Act.	<u>\$ 282,208</u>	<u>\$ -</u>	<u>\$ 220,486</u>	<u>\$ 61,722</u>
Total Gov't.	<u>\$ 870,326</u>	<u>\$ -</u>	<u>\$ 266,414</u>	<u>\$ 603,912</u>

TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

NOTE I: LONG-TERM DEBT (CONTINUED)

SEWER FUND (CONTINUED)

The annual requirements to amortize all debt outstanding (principal and interest) as of June 30, 2004:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 108,818	\$ 31,368	\$ 140,186
2006	49,976	27,438	77,414
2007	51,746	24,730	76,476
2008	45,371	22,035	67,406
2009-2013	284,000	66,695	350,695
2014	<u>64,000</u>	<u>3,553</u>	<u>67,553</u>
Total	<u>\$ 603,911</u>	<u>\$ 175,819</u>	<u>\$ 779,730</u>

NOTE J: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Sewer Fund was established to account for the operation the Township's waste disposal system. The following represents the segment information for the Sewer Fund:

	<u>Sewer Fund</u>
Operating revenues	\$ 493,879
Depreciation	147,304
Operating loss	(44,636)
Net loss	(52,052)
Fixed asset additions	-
Fixed asset disposals	-
Net working capital	138,523
Total assets	1,266,635
Total equity	1,138,454

NOTE K: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters.

The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including life insurance for elected officials.

**TOWNSHIP OF BUTMAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

NOTE L: FUND EQUITY/NET ASSETS

RESERVED/RESTRICTED FUND BALANCE/NET ASSETS

Amounts reported in the financial statements as reserved fund equity/restricted net assets are as follows: General Fund Prepaid Expense \$1,862.

RESTATEMENT OF BEGINNING SEWER FUND NET ASSETS

Fund Net Assets as of July 1, 2003 has been reduced by \$498,729 to correct the capital asset balances as recorded in the Sewer Fund. The correction brings the Township into compliance with generally accepted accounting principles. The error had no effect on net income for the year ended June 30, 2004.

Net Assets at July 1, 2003,	
as previously reported	\$1,689,298
Prior period adjustment – Correction of	
Capital Asset balances;	<u>(498,792)</u>
Fund Net Assets at July 1, 2004, as restated	<u>\$1,190,506</u>

CALCULATION OF BEGINNING NET ASSETS

The Township adopted GASB Statement No. 34 effective July 1, 2003. The following represents the reconciliation of the Townships fund balance as of July 1, 2003, to its beginning net assets balance, as presented in the statement of Activities, for the year ended June 30, 2004:

Total Fund Balance, Governmental Funds, July 1, 2003	\$ 240,839
Record capital assets	1,236,384
Record accumulated depreciation	(288,188)
Record long-term debt	<u>(588,118)</u>
Beginning Net Assets, Governmental Funds, July 1, 2003	<u>\$ 600,917</u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
State Sources:				
State Shared Revenue	\$ 136,500	\$ 136,500	\$ 131,304	\$ (5,196)
Summer Tax Collection Reimbursement	-	-	4,251	4,251
Swamp Tax	570	570	565	(5)
Local Sources:				
Property Taxes - Operating	77,127	77,127	80,302	3,175
Charges for Services:				
Property Tax Administration Fee	35,000	35,000	25,773	(9,227)
Administration Fees and Other	27,470	27,470	33,658	6,188
Cemetery Lot Sales	4,700	4,700	6,925	2,225
Hall Rental	2,500	2,500	2,810	310
Interest Income	1,000	1,000	1,304	304
Other Income	300	300	2,991	2,691
Total Revenues	<u>285,167</u>	<u>285,167</u>	<u>289,883</u>	<u>4,716</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board				
Wages and Benefits	16,000	16,000	12,606	3,394
Contractual Services	59,580	59,580	51,046	8,534
Insurance	10,950	10,950	10,821	129
Utilities	6,000	6,000	6,357	(357)
Postage, Printing and Publishing	5,500	5,500	5,927	(427)
Dues and Education	2,000	2,000	180	1,820
Transportation and Meals	50	50	49	1
Equipment, Supplies and Maintenance	9,876	9,876	10,476	(600)
Miscellaneous	39,466	39,466	210	39,256
Total Township Board	<u>149,422</u>	<u>149,422</u>	<u>97,672</u>	<u>51,750</u>
Supervisor				
Wages and Benefits	7,700	7,700	7,200	500
Dues and Education	200	200	-	200
Miscellaneous	100	100	-	100
Total Supervisor	<u>8,000</u>	<u>8,000</u>	<u>7,200</u>	<u>800</u>
Elections				
Wages and Benefits	500	500	626	(126)
Equipment, Supplies and Maintenance	737	737	611	126
Total Elections	<u>1,237</u>	<u>1,237</u>	<u>1,237</u>	<u>-</u>
Clerk				
Wages and Benefits	22,480	22,480	20,473	2,007
Dues and Education	150	150	-	150
Transportation and Meals	50	50	-	50
Miscellaneous	100	100	-	100
Total Clerk	<u>22,780</u>	<u>22,780</u>	<u>20,473</u>	<u>2,307</u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Board of Review				
Wages and Benefits	525	525	465	60
Postage, Printing and Publishing	150	150	-	150
Refunds and Rebates	200	200	5	195
Total Board of Review	875	875	470	405
Treasurer				
Wages and Benefits	21,980	21,980	20,908	1,072
Miscellaneous	350	350	-	350
Total Treasurer	22,330	22,330	20,908	1,422
Building and Grounds				
Wages and Benefits	5,000	5,000	1,924	3,076
Equipment, Supplies and Maintenance	1,500	1,500	1,312	188
Miscellaneous	200	200	10	190
Total Building and Grounds	6,700	6,700	3,246	3,454
Cemetery				
Wages and Benefits	4,400	4,400	3,442	958
Contractual Services	3,538	3,538	7,800	(4,262)
Equipment, Supplies and Maintenance	3,200	3,200	196	3,004
Miscellaneous	500	500	200	300
Total Cemetery	11,638	11,638	11,638	-
TOTAL GENERAL GOVERNMENT	222,982	222,982	162,844	60,138
PUBLIC WORKS				
Roads, Drains, Lighting	43,625	43,625	41,477	2,148
RECREATION AND CULTURE				
Boat Launch	2,200	2,200	1,699	501
TOWNSHIP IMPROVEMENT				
Miscellaneous	-	-	38	(38)
DEBT SERVICE	7,650	7,650	10,633	(2,983)
Total Expenditures	276,457	276,457	216,691	59,766
Excess (Deficiency) of Revenues over Expenditures	8,710	8,710	73,192	64,482

**TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
OTHER FINANCING SOURCES (USES):				
Operating Transfer to Road Fund	(50,000)	(50,000)	(50,000)	-
Operating Transfer to Fire Fund	(10,000)	(10,000)	(10,000)	-
Operating Transfer to Garbage Fund	(10,000)	(10,000)	(10,000)	-
Total Other Financing Sources (Uses)	(70,000)	(70,000)	(70,000)	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses:	(61,290)	(61,290)	3,192	64,482
Fund Balance Beginning of Year	117,166	117,166	117,166	-
Fund Balance End of Year	<u>\$ 55,876</u>	<u>\$ 55,876</u>	<u>\$ 120,358</u>	<u>\$ 64,482</u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED JUNE 30, 2004

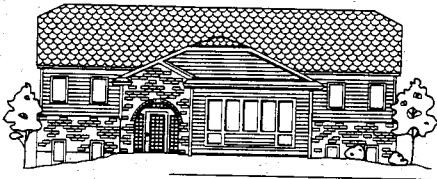
	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 102,505	\$ 102,505	\$ 101,374	\$ (1,131)
Interest	250	250	142	(108)
Miscellaneous	25	25	-	(25)
Total Revenues	<u>102,780</u>	<u>102,780</u>	<u>101,516</u>	<u>(1,264)</u>
EXPENDITURES				
Public Safety:				
Vehicle Fuel and Maintenance	13,800	13,800	14,908	(1,108)
Equipment, Supplies and Maintenance	8,300	8,300	10,754	(2,454)
Insurance	14,741	14,741	9,659	5,082
Utilities and Security	5,500	5,500	5,398	102
Administration Fees	600	600	600	-
Training	2,500	2,500	299	2,201
Miscellaneous	8,825	8,825	4,259	4,566
Debt Service:				
Loan Principal	38,000	38,000	38,000	-
Loan Interest	31,358	31,358	31,341	17
Total Expenditures	<u>123,624</u>	<u>123,624</u>	<u>115,218</u>	<u>8,406</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(20,844)</u>	<u>(20,844)</u>	<u>(13,702)</u>	<u>7,142</u>
OTHER FINANCING SOURCES				
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures	<u>(10,844)</u>	<u>(10,844)</u>	<u>(3,702)</u>	<u>7,142</u>
Fund Balance - Beginning of Year	<u>9,524</u>	<u>9,524</u>	<u>9,524</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ (1,320)</u>	<u>\$ (1,320)</u>	<u>\$ 5,822</u>	<u>\$ 7,142</u>

**TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GARBAGE FUND
YEAR ENDED JUNE 30, 2004**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 103,000	\$ 103,000	\$ 115,980	\$ 12,980
Interest	200	200	188	(12)
Total Revenues	<u>103,200</u>	<u>103,200</u>	<u>116,168</u>	<u>12,968</u>
EXPENDITURES				
Public Works:				
Contractual Services	146,700	146,700	141,802	4,898
Administration Fees	1,200	1,200	1,200	-
Miscellaneous	5,500	5,500	1,569	3,931
Total Expenditures	<u>153,400</u>	<u>153,400</u>	<u>144,571</u>	<u>8,829</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(50,200)</u>	<u>(50,200)</u>	<u>(28,403)</u>	<u>21,797</u>
OTHER FINANCING SOURCES				
Transfers In	-	-	10,000	10,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures	<u>(50,200)</u>	<u>(50,200)</u>	<u>(18,403)</u>	<u>31,797</u>
Fund Balance - Beginning of Year	<u>37,749</u>	<u>37,749</u>	<u>37,749</u>	<u>-</u>
Fund Balance - End of Year	<u><u>\$ (12,451)</u></u>	<u><u>\$ (12,451)</u></u>	<u><u>\$ 19,346</u></u>	<u><u>\$ 31,797</u></u>

TOWNSHIP OF BUTMAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROADS FUND
YEAR ENDED JUNE 30, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 128,000	\$ 128,000	\$ 128,157	\$ 157
Interest	100	100	524	424
Total Revenues	<u>128,100</u>	<u>128,100</u>	<u>128,681</u>	<u>581</u>
EXPENDITURES				
Public Works:				
Contractual Services	129,000	129,000	99,657	29,343
Administration Fee	1,300	1,300	1,300	-
Miscellaneous	119,502	119,502	1,596	117,906
Total Expenditures	<u>249,802</u>	<u>249,802</u>	<u>102,553</u>	<u>147,249</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(121,702)</u>	<u>(121,702)</u>	<u>26,128</u>	<u>147,830</u>
OTHER FINANCING SOURCES				
Transfer In	50,000	50,000	50,000	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures	<u>(71,702)</u>	<u>(71,702)</u>	<u>76,128</u>	<u>147,830</u>
Fund Balance - Beginning of Year	<u>76,400</u>	<u>76,400</u>	<u>76,400</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,698</u>	<u>\$ 4,698</u>	<u>\$ 152,528</u>	<u>\$ 147,830</u>



Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

September 15, 2004

To the Township Board
Butman Township
Gladwin County, MI

Dear Board Members:

We have audited the financial statements for Butman Township for the year ended June 30, 2004. During the course of our audit fieldwork, we noted the following issues that we would like to bring to the Board's attention:

1. Budgeting Issues

The Fire and Garbage Fund budgets that were adopted for the year ended June 30, 2004 had expenditures exceeding revenues of an amount in excess of the fund balance reserves. This resulted in a budgeted negative fund balance situation, which is in violation of Public Act 621 of 1978.

We urge the Board to carefully review each fund's budget before adopting it, and we also recommend that the Board continue to monitor expenditures as compared to the budget and amend the budget as necessary throughout the year.

2. Sewer Fund Revenues

During the course of the audit, we became aware that the Sewer Billings revenues recorded in the general ledger did not agree with the balances as calculated by the Sewer Billings Clerk.

Our recommendation is for the Township Clerk and the Sewer Billings Clerk periodically reconcile their balances to ensure that Sewer Fund revenues are properly accounted for.

3. Fire Fund Balance

The fund balance amount for the Fire Fund as of June 30, 2004 has decreased to \$5,822.

We recommend that the Board monitor the revenues and expenditures of the Fire Department with extra care to ensure that the Fire Fund does not to decrease its fund balance to a negative figure.

We thank you for the opportunity to be of service to Butman Township. We hope you find these comments and recommendations useful. Please call our office if you'd like to discuss this issue further.

Sincerely,


Keskine, Cook, Miller, Smith & Alexander, LLP